

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2015/2016

### BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

1 March 2016  
2.30 p.m – 4.30 p.m  
(2 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This question paper consists of 6 printed pages excluding cover page with 4 questions only.
2. Answer **ALL** questions. Marks are shown at the end of each question.
3. Answer in the answer booklet provided.

**QUESTION 1**

Mariam is in business as a retailer. The following balances were extracted from the books of Mariam Enterprise as at 30 September 2015.

|                                 | <b>RM</b> |
|---------------------------------|-----------|
| Capital at 1 October 2014       | 190,000   |
| Drawing                         | 21,000    |
| Land and buildings (at cost)    | 150,000   |
| Fixtures and Fittings (at cost) | 28,000    |
| Computer equipment (at cost)    | 40,000    |
| Accumulated depreciation:       |           |
| Fixtures and Fittings           | 19,000    |
| Computer equipment              | 12,000    |
| 8% loan                         | 50,000    |
| Loan interest paid              | 2,000     |
| Bank                            | 10,000    |
| Cash                            | 4,070     |
| Account receivables             | 60,000    |
| Account payables                | 31,000    |
| Sales                           | 365,000   |
| Purchases                       | 135,000   |
| Goods returned by customers     | 8,900     |
| Return outwards                 | 4,250     |
| Inventory at 1 October 2014     | 33,500    |
| Delivery expenses               | 18,630    |
| Computer repairs expenses       | 19,150    |
| General running expenses        | 31,600    |
| Salaries and wages              | 86,700    |
| Marketing costs                 | 14,000    |
| Discount allowed                | 22,400    |
| Discount received               | 13,700    |

**Additional information:**

1. Inventory as at 30 September 2015 was valued at RM36,550.
2. An invoice for a credit purchase of goods RM6,500 had been misplaced and no entries had been recorded in the books.
3. The purchase of fixtures and fittings, RM4,000 had been included in the general running expenses.

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4. At 30 September 2015, computer repair expenses RM1,700 were accrued and salaries and wages were prepaid RM5,200.
5. The 8% bank loan was received on 1 January 2015.
6. Depreciation is to be charged at the of the year as follows:
  - (i) Fixtures and fittings at the rate of 15% per annum using the straight-line method.
  - (ii) Computer equipment at the rate of 25% per annum using the reducing balance method.

**Required:**

- a) Prepare the income statement for the year ended 30 September 2015. (14 marks)
- b) Prepare the balance sheet as at 30 September 2015. (11 marks)

(Total: 25 marks)

**QUESTION 2**

- a) The following selected events and transactions occurred during July for Taiping Safari Park.

July:

- 1 Shareholders invested RM50,000 cash in the business.
- 4 Purchased land costing RM130,000.
- 8 Incurred advertising expense of RM1,800.
- 11 Paid salaries to employees RM2,000.
- 15 Hired park manager at salary of RM4,000 per month, effective August 1.
- 16 Paid RM1,500 cash for one-year insurance policy.
- 19 Declared and paid RM1,700 cash dividend.
- 22 Received RM5,800 in cash for admission fees.
- 26 Sold 100 coupon books from RM30 each. Each book contains 10 coupons that entitle the holder to one admission to the park.
- 29 Paid RM900 on balance owed for advertising incurred on July 8.

**Required:**

Journalize the above transactions in General Journal form. Explanations are not required.  
(10 marks)

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- b) The following control procedures are used in Mexwill Trading for over-the-counter cash receipts:
1. To minimize the risk of robbery, cash in excess of RM200 is stored in an unlocked attaché case in the stockroom until it is deposited in the bank.
  2. All over-the-counter receipts are registered by three clerks who use a cash register with a single cash drawer.
  3. The company accountant makes the bank deposit and then records the day's receipts.
  4. At the end of each day, the total receipts are counted by the cashier on duty and reconciled to the cash register total.
  5. Cashiers are experienced; they are not bonded.

**Required:**

For each procedure, explain the weakness in internal control, and identify the internal control principle that is violated. (10 marks)

- c) Presented below are the assumptions and principles guide when it creates accounting standards.

|                         |                           |
|-------------------------|---------------------------|
| Relevance               | Periodicity assumption    |
| Faithful representation | Going concern assumption  |
| Comparability           | Historical cost principle |
| Consistency             | Economy entity assumption |

1. A belief that a company will continue to operate for the foreseeable future.
2. The practice of preparing financial statements at regular intervals.
3. A belief that the items should be reported on the balance sheet at the price what was paid to acquire the item.
4. The quality information that indicates the information makes a difference in a decision.
5. A company's use the same accounting principles and methods from year to year.

**Required:**

Identify and match each of the above statement to the relevant accounting assumption or principle. (5 marks)

(Total: 25 marks)

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**QUESTION 3**

Jasson Berhad reports the following information for the month of February 2016.

| Date | Description         | Units | Unit Cost or<br>Selling Price |
|------|---------------------|-------|-------------------------------|
| 1    | Beginning inventory | 70    | 34                            |
| 9    | Purchase            | 110   | 36                            |
| 11   | Sales               | 100   | 45                            |
| 17   | Purchase            | 120   | 37                            |
| 22   | Sales               | 60    | 50                            |
| 25   | Purchase            | 70    | 39                            |
| 29   | Sales               | 110   | 50                            |

**Required:**

- a) Calculate the ending inventory, cost of goods sold and gross profit under perpetual inventory system using FIFO method. (10 marks)
- a) Calculate the ending inventory, cost of goods sold and gross profit under periodic inventory system using LIFO method. (11 marks)
- b) What is the difference between perpetual and periodic inventory system. (4 marks)

**(Total: 25 marks)**

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**QUESTION 4**

Presented below are the financial statements of Kelvin Berhad.

Kelvin Berhad  
Comparative Balance sheets  
December 31

|                                      | 2015           | 2014           |
|--------------------------------------|----------------|----------------|
| <u>Assets</u>                        | RM             | RM             |
| Equipment                            | 265,000        | 242,500        |
| Accumulated depreciation - equipment | (47,000)       | (52,000)       |
| Long-term investment                 | 140,000        | 114,000        |
| Prepaid expenses                     | 29,300         | 26,000         |
| Inventory                            | 112,500        | 102,850        |
| Account receivable                   | 92,800         | 33,000         |
| Cash                                 | 50,000         | 40,000         |
| Bank                                 | 50,350         | 8,400          |
| <b>Total Assets</b>                  | <b>692,950</b> | <b>514,750</b> |
| <br><u>Liability and Equity</u>      |                |                |
| Account payable                      | 112,000        | 67,300         |
| Accrued expenses payable             | 16,500         | 17,000         |
| Bond payable                         | 110,000        | 150,000        |
| Common stock                         | 220,000        | 175,000        |
| Retained earnings                    | 234,450        | 105,450        |
| <b>Total Liability and Equity</b>    | <b>692,950</b> | <b>514,750</b> |

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Kelvin Berhad  
Income statement  
For the year ended December 31, 2015

|  | RM      | RM      |
|--|---------|---------|
| Sales revenue                              | 392,780 |         |
| Gain on disposal of plant assets           | 5,000   | 397,780 |
| Less:                                      |         |         |
| Cost of goods sold                         | 135,460 |         |
| Operating expenses, excluding depreciation | 12,410  |         |
| Depreciation expense                       | 45,000  |         |
| Income tax expense                         | 27,280  |         |
| Interest expense                           | 4,730   | 224,880 |
| Net income                                 |         | 172,900 |

**Additional information:**

1. New equipment costing RM80,000 was purchased for cash during the year.
2. Old equipment having an original cost RM57,500 and accumulated depreciation of RM50,000 was sold for RM12,500 cash.
3. Bond payable matured and were paid off at face value for cash.
4. A cash dividend of RM43,900 was declared and paid during the year.

**Required:**

- a) Prepare the statement of cash flows for 2015 using indirect method. (19 marks)
- b) Compute these cash-based measures:
  - (i) Current cash debt coverage. (3 marks)
  - (ii) Cash debt coverage. (3 marks)

(Total: 25 marks)

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